

5 Fiscal Transparency

5.1 A team from the International Monetary Fund (IMF) visited Ireland in March 2013, at the request of the Secretaries General of the Departments of Finance and Public Expenditure and Reform, to evaluate Ireland's fiscal management and reporting against the standards in the IMF's newly revised Fiscal Transparency Code. The report of the Review Team was published on 16 July 2013.¹

5.2 The Review Team set out standards for State fiscal reporting. The expectation was that fiscal reports should provide a comprehensive, timely, reliable, comparable, and accessible summary of the government's financial performance and position. The Review Team's assessment noted, inter alia, that at the time it was reporting (2013)

- fiscal reporting in Ireland was relatively comprehensive, frequent and reliable but also quite fragmented
- while Irish fiscal forecasts provided a credible, detailed and policy-oriented overview of fiscal prospects, they could provide a more comprehensive account of extra-budgetary activity, changes between forecasts and longer-term trends
- fiscal risks in Ireland were relatively large and their disclosure and management diffuse.

The IMF also noted that consolidating the information available into a set of summary fiscal documents would put Ireland in line with international accounting standards, at the forefront of fiscal transparency practice, and ahead of EU reporting requirements.

5.3 The report noted that, given the already high degree of fiscal disclosure in Ireland, there was considerable scope to enhance fiscal transparency just by bringing existing fiscal information together, and that reforms in ten areas could bring Ireland's fiscal reporting practices into line with international standards and best practices at relatively low cost. The report included a plan for implementing 35 recommended actions across these areas over the period 2013 to 2017.

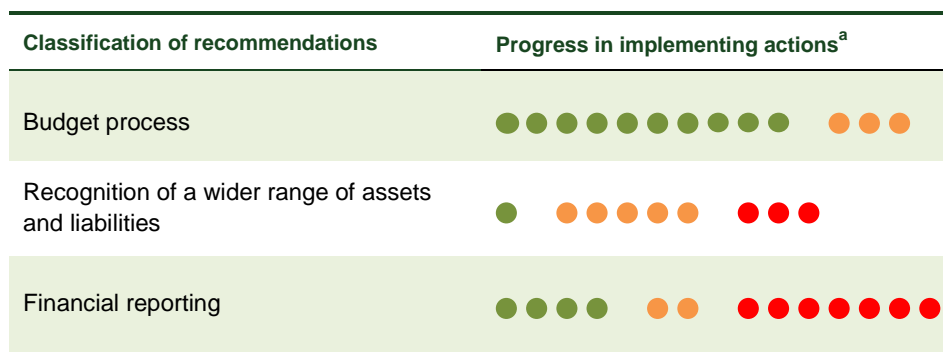
5.4 The Government referred the report and action plan to a Fiscal Transparency Assessment Steering Group chaired by the Department of Finance "for implementation as appropriate". The last meeting of the group was in late 2015.

5.5 The Accounting Officers of the Departments of Finance, and Public Expenditure and Reform have provided an update on progress in implementing the report's recommendations. Responses to each of the recommendations are set out in the annex.

5.6 The IMF's recommendations can be grouped together under three broad headings (see Figure 5.1). These are

- financial reporting
- budget process
- recognition of a wider range of assets and liabilities.

¹ *Fiscal Transparency Assessment - Ireland*, International Monetary Fund, July 2013.

Figure 5.1 Progress in implementing IMF fiscal transparency assessment recommendations — status at July 2017

Source: Fiscal Transparency Assessment – Ireland, International Monetary Fund, July 2013; progress updates provided by the Accounting Officers in the Departments of Finance, and Public Expenditure and Reform.

Note: a  Implemented  Partially implemented  Not implemented

- 5.7** By mid-2017, 25 (71%) of the recommendations have been either implemented (43%) or partially implemented (28%). The Accounting Officers stated that significant progress has been made in implementing recommendations relating to the budget process and in relation to statistical reporting standards under the EU System of Accounts (ESA) 2010.
- 5.8** The Accounting Officers noted that the findings, recommendations, and action plan set out in the IMF Report represented the views and non-binding advice of the IMF mission team and do not necessarily reflect the views of, or a commitment by, the Government. The aim of the report was to highlight best practice and to identify areas of improvement in the coverage, quality and consistency of fiscal reporting practices in Ireland.
- 5.9** The Accounting Officers pointed out that in July 2017, officials from the Fiscal Affairs Department of the IMF met officials in Dublin to review the progress achieved in improving standards of fiscal transparency in Ireland. They stated that the IMF officials confirmed that the recommendations contained in the evaluation were intended as guidance to the Irish authorities in strengthening fiscal transparency and consequently were not intended to be prescriptive, and also advised that Ireland stands as one of the stronger performers internationally in the area of fiscal transparency.

Budget process

- 5.10** The Accounting Officers reported significant progress in implementing recommendations relating to the budget process.
- The budget is now presented to the Dáil in October each year.
 - In regard to publishing long-term fiscal projections as part of the budget documentation, they noted that the Department of Finance has commenced publishing an annual debt report in 2017.¹ In addition, the stability programme update (SPU), published annually by the Department of Finance since 1997, includes data on the long-term sustainability of the public finances in accordance with EU requirements.²
 - In regard to publishing documentation about fiscal risks, the SPU includes a macro-economic risk assessment matrix, and a risk and sensitivity analysis which includes a section on contingent liabilities; the first debt report (2017) contained a debt sustainability analysis.
 - a separate document incorporating the outcome of tax expenditure reviews is published along with the budget documentation.

¹ *Annual Report on Public Debt in Ireland*, Department of Finance, June 2017.

² Published in accordance with Council Regulation (EC) No. 1055/2005 amending regulation 1466-97, which sets out the rules covering the content of the stability programmes.

- 5.11** The Accounting Officers stated that it is not possible to fully implement the recommendation to expand the annual budget documentation to present the gross revenues and expenditure of the consolidated government sector. They noted that the added value of setting out local government revenues and expenditures does not justify changing local authority budget procedures to require adoption before the budget in October.

Recognition of a wider range of assets and liabilities

- 5.12** The IMF report recommended that a wider range of assets and liabilities should be recognised in the balance sheets of public bodies, and the corresponding economic flows included in fiscal documentation. The Accounting Officers have stated that progress in relation to these recommendations was mixed.
- In regard to recognising accrued pension liabilities, they pointed out that this does not form part of the European System of Accounts of central government but that it is shown as a memorandum item in the Finance Accounts. They also noted that the CSO is required to report annually to the EU on the gross accrued pension liability of Irish public servants, commencing with the end-2015 position. This figure is required to be reported during 2017.
 - The IMF recommended that assets and liabilities associated with public private partnerships (PPPs) should also be recognised in balance sheets. The Accounting Officers pointed out that Ireland complies with Eurostat rules in this area and the PPPs are classified as assets of the private partner. They noted that the annual flow of government investments under PPPs is included in fiscal projections, budgets and accounts.
 - A number of recommendations about the recognition and valuation of non-financial assets of central government departments have not been implemented. This will be examined in the light of a possible move to accrual accounting.
 - A recommendation to recognise changes in the value of public sector assets, liabilities and contingent liabilities has not been implemented.
 - A recommendation that the Department of Finance or the National Treasury Management Agency (NTMA) should publish an annual report on the Government's strategy for the management of its portfolio of assets and liabilities has been partially implemented through the publication by the New Economy and Recovery Authority (NewEra) of information about the State's shareholdings in some corporations.

Financial reporting

- 5.13** The area where the least progress in implementing the IMF recommendations was reported was in relation to financial reporting. Out of 13 recommendations, the Accounting Officers stated that four have been implemented in full and two partially implemented. They stated that there are a number of external and legislative factors why this is the case.
- 5.14** The Government Accounting Unit in the Department of Public Expenditure and Reform (DPER) advises on policy relating to financial reporting and sets the accounting rules and procedures for Vote-holding Government departments and offices. However, the IMF report noted that there was no permanent unit or official in the Irish administration responsible for setting and enforcing financial reporting standards across the public sector.

- 5.15** The report also noted that there was no uniform set of accounting rules and procedures applying to government departments, extra-budgetary funds, semi-state bodies, local governments and public corporations. The report made four recommendations in this area, none of which have been implemented to date.
- 5.16** The IMF recommended the establishment of a permanent government financial reporting unit headed by a professional chief financial officer. The Accounting Officers have stated that this recommendation, and a recommendation to establish and maintain professional standards for the government accounting profession, will be considered as part of the Civil Service Renewal Plan.

Financial reporting standards

- 5.17** Objective financial reporting standards are crucial to the accountability of public sector entities as they set the requirements for preparing their financial statements. A robust, objective and transparent standard-setting process, preferably by an independent standard setter, provides users of financial information with the assurance that the financial statements that they rely on to make important economic decisions, or to hold public entities to account, are credible.
- 5.18** In regard to recommendations to set financial reporting standards based on international standards for all public sector entities, and to enforce their use in the preparation of financial reports, the Accounting Officers noted that neither recommendation has been advanced as yet, and that policy and legislative changes will be required for their implementation.
- 5.19** The Finance Accounts are prepared on a cash basis. Most other public bodies prepare financial statements on an accruals basis. Central government departments, and the Education and Training Boards, prepare their annual accounts on a modified cash basis. The IMF recommended that all public sector bodies should prepare their financial statements on an accruals basis. This has not been implemented.
- 5.20** The Accounting Officers pointed out that ongoing consultation takes place with members of a joint Department of Finance and Department of Public Expenditure and Reform steering group in the context of Ireland's attendance at Eurostat meetings on the potential development of European Public Sector Accounting Standards. In June 2016, the steering group met with officials from the UK Treasury to learn from their experiences when changing from cash to accrual accounting. A move to accrual accounting for financial reporting by central government departments and offices will be considered in the context of developments in the Financial Management Shared Services (FMSS) project and developments at EU level concerning future implementation of harmonised accounting standards.¹

Consolidation of the Finance and the Appropriation Accounts

- 5.21** A recommendation to consolidate the Finance and Appropriation Accounts has not been implemented. The Accounting Officers pointed out that legislation will be required to give a statutory basis to a consolidated central government financial statement. Pending completion of the FMSS project, and consideration of the requirement for legislation, the scope to produce a consolidated central government financial statement will be assessed.

¹ The Financial Management Shared Services (FMSS) project aims to replace 31 existing government financial management and reporting systems with a single financial management system.

Accelerating account production and presentation

- 5.22** The IMF report recommended that the production and presentation of accounts should be accelerated.
- 5.23** The Accounting Officers noted that the compilation of the Finance Accounts has been brought forward and the accounts are now submitted to the Comptroller and Auditor General for audit before the end of March. The audit of the account for 2016 was completed in June 2017 and the account was presented to Dáil Éireann on 26 July 2017.
- 5.24** The statutory requirement is that the audited appropriation accounts should be presented to Dáil Éireann no later than 30 September in the year following the year of account.¹ All of the accounts must be presented together, with the report of the Comptroller and Auditor General on any matters arising from audit. The IMF recommended that publication of the accounts be brought forward to June. The Accounting Officers noted that implementation of this recommendation would require amending legislation.

Classification of fiscal documentation

- 5.25** The IMF noted that the charts of accounts in use were not able to generate summary fiscal data in line with international reporting standards and that this posed an obstacle to the preparation of more comprehensive fiscal reports and inhibited real-time monitoring of Ireland's fiscal performance against fiscal rules. The report made three main recommendations in this area.
- 5.26** When the IMF undertook its report (2013), the Department of Finance was publishing a monthly Exchequer statement, showing flows into and out of the Central Fund. The IMF recommended that the Department of Finance reorganise the monthly Exchequer statement to bring its classification closer to the European System of Accounts and the government finance statistics manual.
- 5.27** In January 2017, the Department of Finance commenced publishing a monthly fiscal monitor, which incorporates the Exchequer statement, and provides additional information. The information is not presented using the classifications recommended by the IMF. The Accounting Officer for the Department of Finance stated that the IMF recommendation on the Exchequer Statement has been implemented as appropriate. The Department does not consider that it was the intention — nor is it feasible — to replace the existing Exchequer Statement.
- 5.28** In regard to recommendations to develop a program classification which could be mapped to individual sectors, and to develop a harmonised chart of accounts to facilitate the automated collection and consolidation of detailed fiscal data for central government, general government and the public sector, the Accounting Officers noted that both are being addressed by the FMSS project team.

Fiscal statistics





- 5.29** Two recommendations relating to the publication of fiscal statistics for the consolidated public sector and its subsectors have been implemented.

¹ Comptroller and Auditor General (Amendment) Act 1993.

Annex 5A IMF Fiscal Transparency Assessment — status update

Issue: 126 central government entities whose net expenditure accounts for €6.8 billion (4.3 percent of GDP) are currently excluded from the central government budget and accounts. A further 297 entities whose net expenditures accounted for at least €16.8 billion (11.7 percent of GDP) are outside the scope of the general government fiscal statistics.

Recommendation 1: The government should expand the institutional coverage of budgets, fiscal statistics, and financial statements.

Actions	Status	Comments by Accounting Officers, Departments of Finance, and Public Expenditure and Reform
1a Expand the coverage of the annual budget documentation to present the gross revenues and expenditures of the consolidated central government.		<p>Central government, which is largely concentrated as there are no state or social security sectors, makes up the vast majority of gross revenue and expenditure (over 90%) in the general government.</p> <p>Local authorities are obliged, by law, to adopt budgets which are sufficient to meet expenditure arising in a year. The impact of the local authority budgets on the national General Government balance are fully taken into account in the budget documents. All local authorities must ensure a balanced budget in order to obtain approval from the relevant Minister.</p> <p>There is a timing issue in that the budgets of local government are adopted later than that of central government which is required to be presented to the Oireachtas by 15 October each year. It is not possible to fully implement this recommendation.</p> <p>The SPU and Budget documentation have been expanded to include tables showing the balance by central and local government.</p>
1b Combine the Finance and Appropriation Accounts into a consolidated central government financial statement.		<p>In responding to the recommendation, a manual exercise was conducted by the Department of Finance to generate a draft consolidated central government financial statement. The outcome of this exercise was communicated to the Financial Management Shared Service (FMSS) project team to incorporate a consolidated model into the financial management system. This would facilitate the full implementation of the recommendation in the context of the FMSS project.</p> <p>Legislation will be required to give a statutory basis to a consolidated central government financial statement.</p> <p>In the interim period, in advance of the completion of the FMSS project and consideration of the requirement for legislation, the scope to produce a consolidated central government financial statement on an annual basis will be assessed on the basis of the work carried out by the Department of Finance.</p>
1c Provide an overview of the gross revenues and expenditures of central, local and general government in budget documentation and in-year fiscal statistics.		<p>Currently in-year financial statistics are provided for central government, local and general government. Given the concentration of central government, the added value of setting out local government revenues and expenditures does not justify changing local authority budget procedures to require adoption before the budget in October.</p> <p>The effect of the local authority sector balance is fully reflected in the headline balance.</p> <p>Annual government financial statistics are published in April and September of each year, looking back on the previous year, which contain information on the revenues and expenditures of general government.</p>
1d Prepare fiscal statistics for the consolidated public sector and its subsectors.		<p>The consolidated public sector and subsectors are published by the Department of Finance one month after each month end on a cumulative basis (monthly revenues and expenditure for all subsectors of general government).</p>






Issue: Ireland's consolidated government balance sheet data currently excludes the €116.8 billion (73.5 percent of GDP) in fixed assets of central and local governments, the €116 billion (73.0 percent of GDP) in liabilities associated with public service pensions, €4.0 billion (2.5 percent of GDP) in liabilities under Public Private Partnerships (PPPs), and the €324.7 billion (204.3 percent of GDP) in assets and liabilities held by public corporations.

Recommendation 2: Recognise a wider range of assets and liabilities in balance sheets.

Actions	Status	Comments by Accounting Officers, Departments of Finance, and Public Expenditure and Reform
2a Revalue and recognise accrued pension liabilities of public servants.	●	Under EU Regulation (EU) 549/2013, the Central Statistics Office (CSO) is required to report on the gross accrued public service pension liabilities of Irish public servants as part of the National Accounts. Reporting is mandatory, commencing with an end 2015 position. This exercise is currently being undertaken by DPER on behalf of the CSO following on from a previous exercise to determine an accrued liability figure in respect of the National Accounts for 2012. This figure is required to be reported in 2017.
2b Recognise government assets and liabilities associated with PPPs.	●	Ireland is in compliance with Eurostat rules in relation to General Government classification of PPPs, under which PPPs are not recorded on the balance sheet of Government, but rather are classified as assets of the private partner. However, since 2013, there has been enhanced financial reporting about PPPs on DPER's PPP website. Details are now publicly available for all central government PPP projects currently in operation or which have reached financial close, and include information on the capital value of PPPs; the value of unitary payments paid thus far and the year the final unitary payment will be made; an estimate of future liabilities; and project classification and the date the project became operational. The CSO also publishes details of PPPs on a bi-annual basis as part of the government finance statistics.
2c Revalue and recognise non-financial assets of central government departments.	●	The balance sheet of the appropriation accounts of central government departments and offices displays the department's/office's assets and liabilities at year end. Explanatory notes to the appropriation accounts provide details regarding capital assets and capital assets under development. Heritage assets that can be valued are included in the statement of capital assets of appropriation accounts. State-owned lands and buildings controlled or managed by the department/office which do not have valuations are listed in an appendix to the appropriation accounts. DPER, in consultation with the Department of Finance is currently examining the feasibility of a move to accrual accounting for central government departments and offices. A move to accrual accounting for central government departments and offices will be progressed in the context of developments on the FMSS project and in line with developments at EU level concerning future implementation of harmonised accounting standards.
2d Prepare a financial and full balance sheet for the public sector and its subsectors.	●	A consolidated balance sheet for the public sector and its subsectors is not prepared. The CSO, both nationally and as part of the Excessive Deficit Procedure (EDP) tables, produce statistical tables covering revenue, expenditure, financial and balance sheet transactions for the public sector and its subsectors.




Issue: Recognition of assets and liabilities in balance sheets allows for the incorporation of the related, fiscally significant, flows in summary fiscal reports. At present these unrecognized expenses could amount to 1 percent of GDP per year

Recommendation 3: Incorporate the corresponding economic flows in fiscal documentation.

Actions	Status	Comments by Accounting Officers, Departments of Finance, and Public Expenditure and Reform
3a Reflect changes in accrued public sector pension liabilities in budget documentation, statistics, and accounts.		The estimated pension liability of government (the accrued liability in respect of public service occupational pensions) does not form part of the ESA accounts of general government. It is shown in the government finance statistics release as a memorandum item. During 2017, the CSO will report the liability as at end-2015.
3b Incorporate information on the annual flow of government investments and payments under PPPs into fiscal projections, budgets and accounts.		All PPP unitary payments have been classified as capital expenditure for budget management purposes and commitments for future years are provided for in the capital envelopes of departments and in the Capital Plan. Total PPP commitments are published on the DPER website. PPP payments are managed and accounted for by departments in their voted allocations and are audited as part of the annual appropriation accounts process.
3c Utilise department- specific depreciation figures in summary statistics and accounts.		As part of the European System of Accounts (ESA) 2010 and the EDP tables, the CSO transmits data to Eurostat meeting all the statistical legislative requirements.
3d Recognise valuation changes in public sector assets, liabilities, and contingent liabilities in fiscal documentation.		Central government departments and offices include information on their fixed assets holdings and contingent liabilities in the notes to their annual appropriation accounts. The estimated pension liability of government is shown in the government finance statistics release as a memorandum item. As notes in response to recommendation 2a, the CSO will report, in 2017, an estimate of the public service pension liability as at end-2015.
3e Provide a more comprehensive estimate of revenue foregone from all tax expenditure.		A separate report on tax expenditures is published along with the Budget documents, since October 2015 which incorporates the outcomes of tax expenditure reviews.





Issue: *The charts of accounts for central government departments, extrabudgetary funds and other non-market agencies, local governments, and public corporations are not able to automatically generate summary fiscal data in line with international reporting standards. This poses a significant obstacle to the preparation of more comprehensive, detailed, and comparable fiscal reports. It also inhibits real-time monitoring of Ireland's fiscal performance against its national and EU-wide fiscal rules which are defined in general government terms.*

Recommendation 4: *Bring the classification of fiscal documentation into line with international standards.*

Actions	Status	Comments by Accounting Officers, Departments of Finance, and Public Expenditure and Reform
4a Reorganise the monthly Exchequer statement to present gross revenues and expenditures and distinguish non-financial and financial transactions.		<p>The Accounting Officer for the Department of Finance stated that the IMF recommendation on the Exchequer Statement has been implemented in line with the Government decision on the implementation of recommendations i.e. as appropriate. The Department does not consider that it was the intention — nor is it feasible — to replace the existing Exchequer Statement.</p> <p>The Department of Finance publishes a monthly fiscal monitor at the end of every month and presents this information in tabular format (see Appendix II of the Department's 'Fiscal Monitor' publication). The Fiscal Monitor includes extra-Exchequer (Central Fund) flows, notably the Social Insurance Fund and Appropriations in Aid of the Votes. It splits the transactions affecting general government from those with no impact on general government. Furthermore, the Department produces and publishes cash based fiscal data for general government in accordance with the Budgetary Frameworks Directive – monthly for central government and quarterly for the local government subsector, before the end of the following quarter.</p> <p>The Department considers that the information it produces is appropriate having regard to the domestic and EU legal context.</p>
4b Develop an exhaustive program classification which can be mapped to both individual output/impact indicators and Classification of Functions of Government (United Nations) (COFOG) sectors.		The FMSS project team will address this recommendation using its business intelligence tool with the new financial management system.
4c Develop a harmonized chart of accounts for all general government and, eventually, public sector entities.		The FMSS project team is currently developing a common chart of accounts for central government departments and offices as part of the transition of government departments and certain public sector bodies to the new FMSS.



Issue: *The government's audited accounts are currently published too late to inform the preparation of the annual budget. The annual budget estimates are submitted too late for parliament to debate and approve them before the start of the year to which they refer.*

Recommendation 5: *Accelerate the production, presentation and approval of the annual budget and accounts in line with current plans.*

Actions	Status	Comments by Accounting Officers, Departments of Finance, and Public Expenditure and Reform
5a Require the government to submit the annual budget to parliament in October.		The Budget is currently presented to the Dáil in October of each year.
5b Require parliament to approve the annual budget in December.		The Finance Bill gives legal effect to the tax changes announced in the Budget. If there are any changes to social welfare and pensions, a Social Welfare and Pensions Bill is also introduced. Both these Bills are enacted in December of each year in accordance with obligations under the European Semester.
5c Require the government to submit its annual accounts to the C&AG by March or an agreed earlier date.		The compilation of the Finance Accounts has been brought forward. The Finance Accounts are submitted to the C&AG for audit before the end of March each year. Accounting Officers must have the appropriation account for each Vote under their control prepared and they must sign and present the account to the C&AG before 1st April of the year following that to which it relates.
5d Require the C&AG to submit the audited accounts to parliament by June.		The current legislative provision under the Comptroller and Auditor General (Amendment) Act 1993 requires the Comptroller and Auditor General to present audited appropriation accounts together with his report on any matters arising from audit to Dáil Éireann no later than 30 September each year. To implement this recommendation on a statutory basis would require amending legislation.


Issue: Reducing Ireland's general government gross debt from 121 percent of GDP to the targeted 60 percent of GDP will require a long period of tight fiscal policy. In addition, Ireland faces growing demographic pressures, with the harmonized European estimate suggesting that age-related expenditure will increase by 7.4 percent of GDP by 2050. However, Ireland's fiscal projections only extend to 2015 - not far enough to demonstrate either (i) how and when Ireland expects to meet its debt target or (ii) the impact of demographic and other long-term trends.

Recommendation 6: Regularly publish long term fiscal projections as part of the annual budget documentation.

Actions	Status	Comments by Accounting Officers, Departments of Finance, and Public Expenditure and Reform
6a Publish the government's own version of a debt-sustainability analysis, demonstrating the interaction of the new fiscal rules, extending out 10-20 years.		The Department of Finance has published an annual debt report showing compliance with the EU debt rule out to 2025 and containing a debt sustainability analysis under a range of macro-fiscal scenarios to 2025. A range of additional variables monitored by the Department from a debt sustainability perspective are also outlined.
6b Augment the internal long-term fiscal projection model and publish its projections at least every 2-3 years.		Chapter 6 of the SPU publishes data on the 'Long-term sustainability of the Public Finances', as per EU requirements.

Issue: Ireland's medium-term fiscal forecasts contain large revisions from one budget to the next. On a no-policy-change basis, between the SPU and 2013 Budget, tax revenues were revised down €800m, and net expenditures were revised up by €2.2 billion. This required significant policy changes to remain within the program targets. While the 2013 Expenditure Report provides a detailed breakdown of changes to departmental expenditure ceilings since the last budget, it is difficult to understand the net impact of (i) changes in macroeconomic environment, (ii) changes to revenue and expenditure policies, and (iii) other technical or accounting changes on the fiscal forecast.

Recommendation 7: Provide a more comprehensive reconciliation of changes to key fiscal aggregates between successive fiscal forecasts.





Actions	Status	Comments by Accounting Officers, Departments of Finance, and Public Expenditure and Reform
7 Provide a more comprehensive reconciliation of changes to key fiscal aggregates between successive fiscal forecasts.		A comparison table has been introduced. For example, in SPU 2017 Table A2.3 compares the SPU data against that at the time of the Budget. This table includes categorisations of the changes and explanatory notes.



Issue: *The government publishes information on a wide range of fiscal risks, but the value of the information is diminished by being scattered among many documents published by many agencies. Moreover, much of the information is reported not by the ministries responsible for fiscal management — the Department of Finance and the Department of Public Expenditure and Reform — but by “outsiders” such as the Comptroller and Auditor General, the Irish Fiscal Advisory Council, and the Central Bank.*

The improvements in fiscal reporting discussed above would bring together much information relevant to an assessment of risk in two reports. Fiscal statistics for the public sector would allow a bird’s-eye view of risks related to public corporations. Publication of financial statements and notes for consolidated central government would, among other things, generate integrated information on the government’s assets and liabilities and notes on the risks around them.

However, those improvements will take time and will not be enough to bring together all the relevant information on fiscal risks into one place.



Recommendation 8 and 9: *Two new reports could help fill the gap: a comprehensive statement of fiscal risks and a report on the management of the government’s portfolio of assets and liabilities.*





Actions	Status	Comments by Accounting Officers, Departments of Finance, and Public Expenditure and Reform
The Department of Finance should publish as part of the budget documentation a comprehensive annual statement of fiscal risks that includes sections on:		
8a Macroeconomic analysis of risk.		See the Macro-Economic Risk Assessment Matrix in SPU/Budget.
8b Specific revenue risks not reflected in macroeconomic analysis (Medium-Term Fiscal Statement).		See the Fiscal Risk Assessment Matrix in SPU ad Budget documents.
8c Contingent liabilities, including guarantees, insurance, callable capital, indemnities, litigation, etc.		Chapter 4 of the SPU publishes a Risk and Sensitivity Analysis which includes a section on contingent liabilities. Links are provided to the Finance Accounts and to separate publications which include further details on callable capital.
8d Risks related to the financial sector in addition to those related to explicit guarantees.		See 'financial sector developments' in the Fiscal Risk Assessment Matrix of the SPU and Budget documents.

Actions	Status	Comments by Accounting Officers, Departments of Finance, and Public Expenditure and Reform
8e Risks related to values of assets and liabilities and associated cash flows, including debt, derivatives, financial assets, pensions, provisions and PPPs.		Information on potential risks is included in the Risk Section of the SPU where relevant.
9 The Department of Finance or NTMA should publish an annual report on the government's strategy for the management of its portfolio of assets and liabilities, including debt, the NPRF fund, and shares in financial and non-financial corporations.		New ERA was established to manage shares in financial and non-financial corporations. It regularly produces reports and statistics on the assets and liabilities in these corporations.

Issue: *There is no permanent official or unit in the Irish administration responsible for setting and enforcing financial reporting standards across the public sector. As a result, there is no uniform set of accounting rule and procedures applying to government departments, extrabudgetary funds, semi-state bodies, local governments, and public corporations. This makes consolidating government-wide financial information and promoting system-wide improvements in financial reporting practices very costly and time-consuming.*

Recommendation 10: *Establish a permanent government financial reporting unit in the DoF or DPER.*

Actions	Status	Comments by Accounting Officers, Departments of Finance, and Public Expenditure and Reform
<p>10 Establish a permanent government financial reporting unit in the DoF or DPER headed by a Chief Financial Officer (CFO) or Director of Government Accounting (DGA) — The CEO/DGA should be appropriately qualified with considerable accounting, financial reporting and other relevant experience. S/he should be supported by a small group of finance professions and be responsible for:</p>		<p>The Government Accounting Unit in DPER is a permanent government financial reporting unit and it has among its staff a professional accountant. The unit advises on policy in relation to accounting and financial reporting and has responsibility for setting the accounting rules and procedures laid down by the Minister for Public Expenditure and Reform. These accounting rules and procedures are required to be applied consistently across all Government Departments and Vote-Holding Offices.</p> <p>The establishment of a separate government financial reporting unit in the DoF or DPER headed by a Chief Financial Officer (CFO) or Director of Government Accounting (DGA) will be examined as part of Action 14 of the Civil Service Renewal Plan which commits to strengthening professional expertise in key functions including Financial Management.</p>
<p>10a Setting financial reporting standards for all public sector entities, based on international and European accounting and statistical standards.</p>		<p><i>Statistical Standards</i></p> <p>As part of the European System of Accounts (ESA) 2010 and the EDP tables the CSO transmit data to Eurostat meeting all the statistical legislative requirements. These data sets are assessed by Eurostat as part of the EDP verification process and the Gross National Income Inventories for plausibility, methodological soundness and accuracy. The CSO engages, on an ongoing basis, with public sector, Government Departments and State agencies to ensure that the data needed to complete these statistical returns is made available in both a timely and accurate manner.</p>
		<p><i>International Accounting Standards</i></p> <p>Accrual accounting is already the norm for most of the public sector with the exception of central government, and the Education and Training Boards. Most public sector bodies prepare their financial statements in accordance with FRS 102, the financial reporting standard applicable in Ireland and the UK.</p> <p>Financial reporting for central government departments and offices is on a cash basis with some additional information on an accruals basis provided as notes to the appropriations accounts, including a balance sheet and an operating cost statement.</p> <p>In relation to European accounting standards a move to accrual accounting for financial reporting by central government departments and offices will be progressed in the context of developments on FMSS project and in line with developments at EU level concerning future implementation of harmonised accounting standards.</p> <p>Policy and legislative changes will be required for implementation of this recommendation.</p>

Actions	Status	Comments by Accounting Officers, Departments of Finance, and Public Expenditure and Reform
10b Enforcement of those standards in the preparation of in-year and year-end financial reports by public sector bodies.		This recommendation has not been advanced as yet. Policy and legislative changes will be required for its implementation.
10c Preparation and transmission of the proposed consolidated Central Government Financial Statements to the C&AG for audit.		This recommendation has not been advanced as yet. Policy and legislative changes will be required for its implementation.
10d Cooperation with the CSO, DECLG, Central Bank of Ireland and other public entities on the preparation of fiscal statistics for the general government and public sector.		<p>The Government Accounting Unit in DPER is a permanent government financial reporting unit and it has among its staff a professional accountant. The unit advises on policy in relation to accounting and financial reporting and has responsibility for setting the accounting rules and procedures laid down by the Minister for Public Expenditure and Reform. These accounting rules and procedures are required to be applied consistently across all Government Departments and Vote-Holding Offices.</p> <p>Ongoing co-operation takes place between the various bodies in the preparation of fiscal statistics for general government and the public sector. The Irish statistical authorities cooperate formally through the Government Finance Statistics Liaison Committee (GFSLC), which comprises representatives of the CSO, the Central Bank of Ireland and the Department of Finance.</p>
10e Establishing and maintaining professional standards for the government accounting profession.		This recommendation will be reviewed as part of the consideration and examination of a transition from cash to accrual accounting and as part of Action 14 of the Civil Service Renewal Plan which commits to strengthening professional expertise within corporate functions in the civil service, including financial management.